

United States Department of Agriculture



Natural Resources Conservation Service
375 Jackson Street, Suite 600
St. Paul, MN 55101-1854

70 Years
"A Partner in Conservation Since 1935"

Phone: (651)602-7914
FAX: (651)602-7914

Transmitted via Email

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MINNESOTA BULLETIN NO. 300-5-61

SUBJECT: LTP – CSP AND INCOME TAX IMPLICATIONS

Purpose. To provide field staff with information regarding the income tax implications of the Conservation Security Program (CSP).

Expiration Date. September 30, 2005

In June 2005, the Department posted a Federal Register notice stating the following:

"SUMMARY: The Secretary of Agriculture has determined that existing practice, new practice, and enhancement activity payments made to producers under the Conservation Security Program (CSP), authorized under the provision of Title II, Subtitle A, Section 2001 of the Farm Security and Rural Investment Act of 2002 (Pub. Law 107-171), are made primarily for the purpose of conserving soil and water resources, protecting or restoring the environment, and providing a habitat for wildlife. This determination is in accordance with Section 126 of the Internal Revenue Code of 1954, as amended. Subject to the finding by the Secretary of the Treasury that the program is a small watershed program administered by the Secretary of Agriculture substantially similar to the types of programs described in 26 U.S.C. 126(a)(1) through (8), this determination permits recipients to exclude from gross income, for Federal income tax purposes, all or part of the existing practice, new practice, and enhancement activity cost-share payments made under said program to the extent allowed by the Internal Revenue Service." (Federal Register, Volume 70, Number 121, Friday, June 24, 2005)

Attached to this bulletin is the Federal Register notice regarding the primary purpose determination to exclude program payments from Gross Income Under Section 126 of the Internal Revenue Code. This bulletin is for informational purposes only. NRCS does not provide tax advice to producers. It is allowable to distribute the Federal Register notice to producers who have active CSP contracts.

Questions regarding this bulletin should be directed to Paul Flynn, 651-602-7870.

WILLIAM HUNT
State Conservationist

Attachments

DIST: SO (ECS), NRCS, St. Paul, MN
ASTC (FO), NRCS, Minnesota
ARCs, NRCS, Minnesota